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SAFE HARBOR, INC.
REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-11-04

SAFE HARBOR, INC.
REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Safe Harbor, Inc.
Slidell, LA 70458

I have audited the accompanying statement of financial position of Safe Harbor, Inc., (a nonprofit organization), as of June 30, 2003, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Safe Harbor, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Harbor, Inc. as of June 30, 2003, and the changes in its net assets and its cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 19, 2003 on my consideration of Safe Harbor,

Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Safe Harbor, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Delphine A. Cuppay, CPA

Delphine A. Cuppay, CPA
Slidell, Louisiana

December 19, 2003

SAFE HARBOR, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2003

ASSETS

Current Assets:

Cash and cash equivalents	\$ 26,647
Accts. receivable grants and contracts (Note 3)	41,670
Unconditional promise to give receivable (Note 4)	2,664
Prepaid expenses and other assets (Note 5)	3,375

Total current assets	74,356
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Property and equipment (Note 6)

Furniture and fixtures	40,141
Playground equipment	8,269
Transportation vehicles	35,744
Leasehold improvements	47,908

132,062

Less: Accumulated depreciation	100,782
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Total property and equipment, net	31,280
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TOTAL ASSETS	\$ 105,636
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 6,154
Payroll taxes payable	6,490

Total current liabilities	12,644
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Net Assets:

Unrestricted net assets/Undesignated net assets	90,328
Temporarily restricted net assets (Note 4)	2,664

Total net assets	92,992
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TOTAL LIABILITIES AND NET ASSETS	\$ 105,636
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The accompanying notes are an integral part of the financial statements.

SAFE HARBOR, INC.
STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2003

UNRESTRICTED NET ASSETS:

Revenue and support:	
Grants and contracts	\$ 5,000
Contributions	20,045
Donated furniture and supplies	4,930
Special events	21,683
Net assets released from restrictions	270,042

TOTAL UNRESTRICTED REVENUE AND SUPPORT	321,700
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EXPENSES:

Program services	303,455
Supporting services:	
Management and general	28,776
Grant expenses	0
Fundraising expenses	3,175

TOTAL EXPENSES	335,406
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DECREASE IN UNRESTRICTED NET ASSETS	(13,706)
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TEMPORARILY RESTRICTED NET ASSETS:

State Grants - funding for current year	267,371
Other grants and contracts for the current year	5,328
Interest income	5
Net assets released from restrictions	(270,042)

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	2,662
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DECREASE IN NET ASSETS	(11,044)
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NET ASSETS:

Beginning of year, as previously reported	121,508
Correction of an error in a prior period, net of tax (Note 13)	(17,472)

Adjusted balance of net assets at beginning of year	104,036
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NET ASSETS AT END OF YEAR	\$ 92,992
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The accompanying notes are an integral part of the financial statements.

SAFE HARBOR, INC.
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (11,044)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Donated property and equipment	(745)
Depreciation	15,853
(Increase) Decrease in operating assets	
Accounts receivable - grants and contracts	18,827
Unconditional promises to give	(2,664)
Prepaid expenses	(317)
Increase (Decrease) in operating liabilities	
Accounts payable	1,692
Payroll taxes payable	(156)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,446
	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 21,446
BEGINNING CASH AND CASH EQUIVALENTS	5,201
	<hr/>
NET CASH AND CASH EQUIVALENTS	\$ 26,647
	=====

The accompanying notes are an integral part of the financial statements.

SAFE HARBOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Program Services	Managmt. & General	Grant Expense	Fund-Raising	Total
Compensation and related expenses:					
Compensation:					
Executive Director	\$ 28,852	15,540		\$	44,392
Administrative Asst.	13,130	8,760			21,890
Residential Coordinator	22,584				22,584
Outreach Coordinator	23,873				23,873
Children's Coordinator	26,396				26,396
Children's Advocate	5,788				5,788
Residential Advocates	43,018				43,018
Residential Relief Advocates	7,779				7,779
Related benefits:					
Payroll taxes	16,159	2,204			18,363
Accounting	2,999				2,999
Audit	7,000				7,000
Automobile	254				254
Bank charges		112			112
Building lease	24,000				24,000
Client legal expenses	11,000				11,000
Client services	286				286
Client transportation	1,137				1,137
Depreciation	14,860	993			15,853
Dues & subscriptions	619	60			679
Food supplies	5,439				5,439
Fundraising expenses				3,175	3,175
Grant expenses			0		0
Insurance expense	9,656	573			10,229
Interest expense	0				0
Maintenance-Equipment	1,231				1,231
Maintenance-Shelter	2,808				2,808
Meetings & conventions	2,089				2,089
Miscellaneous	2,081	534			2,615
Office supplies	7,815				7,815
Professional fees	1,515				1,515
Telephone	9,942				9,942
Utilities	11,145				11,145
TOTALS	\$ 303,455	28,776	0	3,175	\$ 335,406

The accompanying notes are an integral part of the financial statements.

SAFE HARBOR, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 1-ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization

(1) The Organization

Safe Harbor, Inc. was incorporated in January, 1991 as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code to provide services to women and their dependent children who are victims of domestic violence. The Safe Harbor Battered Women's Shelter Program provides a twenty-one bed facility which provides temporary housing for its clients. Clients also receive food and clothing, as well as information on housing, legal and welfare aid, educational assistance, training and employment counseling. The Organization incorporates counseling, case management, court advocacy and referrals to community-based programs. All services are free and confidential and a crisis line is answered 24 hours a day by staff or volunteers. With the recent addition of a full-time children's coordinator at the Shelter, the facility has been expanded to include a children's area. Field trips and creative activities help to keep the children busy. Local churches also provide parties and activities for the children at Safe Harbor Battered Women's Shelter.

An outreach office in the western part of St. Tammany Parish located in the Southern Hotel at 628 East Boston Street, Covington, Louisiana, not only serves as a meeting place for court appearances but also as a location for individual or group counseling and legal advocacy. In an endeavor to keep the location of the battered women's shelter secret from the general public, donations, both cash or non-cash, can be dropped off at the outreach office. Since this arrangement may not be convenient for all donors, Safe Harbor also has a policy of allowing donors to call the Safe Harbor telephone number listed in the telephone book and arrangements can be made to pick up the donation at some prearranged time and location agreed upon by the Safe Harbor representative and the donor.

(2) Economic Dependence

Safe Harbor, Inc. is significantly funded by the State of Louisiana, Office of Women's Services, now known as Office of Women's Policy. Should the Office of Women's Policy cut its funding or disallow items, Safe Harbor, Inc. would be required to reduce its services.

B. Significant Accounting Policies

(1) Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting and financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, Safe Harbor, Inc. is required to report its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Also required is the presentation of a statement of cash flows.

Unrestricted net assets represent those assets which are not subject to donor-imposed stipulations and, therefore, are assets the organization may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Safe Harbor, Inc. pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Safe Harbor, Inc.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

Safe Harbor, Inc. does not have any permanently restricted net assets for fiscal year ended June 30, 2003.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-stipulated restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(2) Contributions

Safe Harbor, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recognized when the donor makes a promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Safe Harbor, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The organization reports contributions of assets other than cash at their estimated fair value at the date of the gift and are reported as revenues of the unrestricted net asset class unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenues of the temporarily restricted or permanently restricted net asset classes. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports

expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a qualifying expenditure occurs or a time restriction expires, temporarily restricted assets are recognized in unrestricted net assets as "net assets released from restrictions" in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as an unrestricted contribution.

(3) Property and Equipment

Land, major renovations or major repairs and equipment are stated at cost at the date of acquisition or renovation, or, if donated, at fair value at date of donation. Minor renovations or repairs are charged to operations and maintenance as incurred. Depreciation of furniture and equipment is provided on the straight-line basis over an estimated useful life of five years. Leasehold improvements are amortized over an estimated useful life of ten years. Amortization expense of leasehold improvements is included in the depreciation expense reported in the financial statements.

(4) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and revenues and expenses recognized during the reported period. Actual results could differ from those estimates. Changes in prior year estimates are accounted for within the statement of changes in net assets in the current year.

(5) Cash and Cash Equivalents and Concentrations of Credit Risk

Cash and cash equivalents consist of cash held in checking accounts which are insured by the Federal Deposit Insurance Corporation (FDIC)

up to \$100,000. Since the amounts held in these checking accounts do not exceed the insured limit, management believes Safe Harbor, Inc. is not exposed to any significant credit risk on cash and cash equivalents.

(6) Functional Allocation of Expenses

The cost of providing the program and administering the related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, expenses that benefit both program and supporting services have been allocated using management's estimates.

Safe Harbor, Inc.'s activities of fundraising and membership services in many cases include purposes or contents related to a program service. American Institute of Certified Public Accountants Statement of Position 98-2 states that joint costs of informational materials or activities should be allocated between fundraising and the appropriate program or general function if it can be demonstrated that a program or general function has been performed in conjunction with the appeal for funds. Although Safe Harbor, Inc. has the ability to give evidence for such combined activities, it does not allocate those portions from its fundraising and membership activities to program services.

(7) Donated Materials and Services

Safe Harbor, Inc. records the value of donated goods and services received when there is an objective basis available to measure their value. Donated furniture and fixtures are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated clothing or services as no objective basis is available to measure the value of such goods or services.

(8) Income Taxes

Safe Harbor, Inc. has received a determination letter from the Internal Revenue Service (IRS) indicating that it is a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code, except for taxes pertaining to unrelated business income, and is exempt from Federal and state income taxes. In addition, the organization has been

determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. No provision has been made for income taxes in the accompanying financial statements since Safe Harbor, Inc. does not have a significant amount of unrelated business income for fiscal year ended June 30, 2003.

(9) Operations

Safe Harbor, Inc. entered into a reimbursement contract with the State of Louisiana, Department of Social Services, Office of Community Services and it entered into a reimbursement contract with the State of Louisiana, Office of Women's Services, now known as Office of Women's Policy, whereby expenses incurred with the temporary housing program at the Safe Harbor Battered Women's Shelter would be reimbursed by those institutions upon presentation of expenses incurred.

Also, Safe Harbor, Inc. entered into a grant agreement with Louisiana Commission on Law Enforcement and Administration of Criminal Justice as subgrantee in connection with a grant from the United States Department of Justice, Office of Justice Programs designated for the project "Domestic Violence Outreach" as part of the Stop Violence Against Women Formula Grant Program administered by Louisiana Commission on Law Enforcement and Administration of Criminal Justice and Safe Harbor, Inc. entered into an agreement with The Parish of St. Tammany, The St. Tammany Parish Sheriff's Office and The St. Tammany Parish District Attorney's Office regarding a federal grant from the United States Department of Justice, Office of Justice Programs. The grant was designated for the project "A Safer St. Tammany - Against Domestic Violence" administered by The St. Tammany Police Jury Violence Coordinating Council. These grants cover expenses incurred in connection with court appearances and for individual and group counseling on an outreach basis for clients who choose not to leave the abusive situation and seek shelter.

(10) Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of activities and changes in net assets in conformity with accounting principles generally accept-

ed in the United States of America. Neither is such data comparable to a consolidation.

NOTE 2 - GRANTS FROM GOVERNMENTAL AGENCIES

Included in the grants from governmental agencies is \$167,771 received under a contract with the State of Louisiana, Office of Women's Services, now known as Office of Women's Policy, and included \$63,586 of federal funds through United States Department of Health and Human Services in connection with the Federal Family Violence Prevention and Services Act; federal funds in the amount of \$35,499 through United States Department of Health and Human Services received under a contract with the State of Louisiana, Office of Women's Services, now known as Office of Women's Policy, through the TANF Initiative in connection with Children's Services in Domestic Violence Programs administered by Louisiana Coalition Against Domestic Violence; federal funds in the amount of \$3,000 through United States Department of Health and Human Services under a contract with State of Louisiana, Department of Social Services, Office of Community Services in connection with its Children's Trust Fund; federal funds in the amount of \$12,000 through United States Department of Housing and Urban Development in connection with its Emergency Shelter Grants Program was received from the St. Tammany Parish Police Jury through an agreement with the Louisiana Department of Social Services, Office of Community Services; federal funds in the amount of \$29,637 were received under a contract with The Parish of St. Tammany, The St. Tammany Parish Sheriff's Office and The St. Tammany Parish District Attorney's Office through the United States Department of Justice, Office of Justice Programs Grant, which funds were received in connection with a grant designated for the project, "A Safer St. Tammany - Against Domestic Violence" and federal funds in the amount of \$19,084 was received in connection with a grant designated for the project "Domestic Violence Outreach" as part of the Stop Violence Against Women Formula Grant Program administered by the Louisiana Commission on Law Enforcement and Administration of Criminal Justice.

NOTE 3 - ACCOUNTS RECEIVABLE

The accounts receivable is due from various grantors listed below for services provided through June 30, 2003. All receivables are expected

to be received in a timely manner. The accounts receivable balance consists of the following:

Due from Office of Women's Policy	\$ 29,517
Due from TANF Initiative Grant	5,019
Due from Children's Trust Fund	1,500
Due from Office of Justice Programs, A Safer St. Tammany Grant	2,497
Due from LA Commission on Law Enforcement	1,805
Due from IOLTA Grant	<u>1,332</u>
Total Accounts Receivable	\$ 41,670

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE RECEIVABLE/TEMPORARILY RESTRICTED NET ASSETS

Due to the fact that the IOLTA Grant is on a calendar year basis and Safe Harbor, Inc. is on a June 30 fiscal year end, for fiscal year ended June 30, 2003 the remaining unconditional promise to give amount on this grant is \$2,664, which amount is listed under the Net Assets section of the Statement of Financial Position as temporarily restricted net assets. These temporarily restricted net assets are available for the following program service expenses under the IOLTA Grant sponsored by the Louisiana Bar Foundation:

Paralegal, court fees and office supplies pertaining thereto	\$2,664
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NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses of \$1,345 as fiscal year ended June 30, 2003 consisted of prepaid insurance expenses. Other assets of \$2,030 as of fiscal year ended June 30, 2003 consisted of security deposits held by others for its leased facilities and utility services.

NOTE 6 - PROPERTY AND EQUIPMENT

Depreciation is calculated using the straight line method over a useful life of five years. Leasehold improvements are amortized over ten years. For financial statement purposes, the amount of amortization expense has been included in depreciation expense. Property and equipment consist of the following:

<u>Property & Equipment</u>	<u>Costs as of 06/30/02</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Costs as of 06/30/03</u>
Furniture and fixtures	\$ 39,396	\$ 745	\$ 0	\$ 40,141
Playground equipment	8,269	0	0	8,269
Transportation vehicle	35,744	0	0	35,744
Leasehold improvements	<u>47,908</u>	<u>0</u>	<u>0</u>	<u>47,908</u>
TOTALS	\$131,317	\$ 745	\$ 0	\$132,062

<u>Property & Equipment</u>	<u>Accum. Depre. as of 06/30/02</u>	<u>Depre. Expense</u>	<u>Write Off Depreciation</u>	<u>Accum. Depre. as of 06/30/03</u>
Furniture and fixtures	\$ 25,455	\$ 4,919	\$ 0	\$ 30,374
Playground equipment	7,835	145	0	7,980
Transportation vehicles	19,512	6,504	0	26,016
Leasehold improvements	<u>32,127</u>	<u>4,285</u>	<u>0</u>	<u>36,412</u>
TOTALS	\$ 84,929	\$ 15,853	\$ 0	\$100,782

Costs of Assets as of 06/30/03	\$132,062
Less Accumulated Depreciation	<u>100,782</u>

Net Book Value as of 06/30/03	\$ 31,280
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NOTE 7 - ACCRUED EMPLOYEE BENEFITS

No amount has been reflected in the financial statements for accrued compensated absences as the amount cannot be reasonably estimated.

NOTE 8 - SPECIAL FUND-RAISERS

There was only one special fund-raiser during fiscal year ended June 30, 2003. It was an annual evening event known as Harbor Lights. Invitations were extended to sponsors, friends, members and other interested persons to attend and enjoy an evening of gourmet food, live music, enter-

tainment, fun and fellowship. This fund-raiser generated \$17,337 and incurred expenses of \$2,665 for net proceeds of \$14,672.

NOTE 9 - DONATED FURNITURE AND SUPPLIES

The value of donated furniture and supplies included in the financial statements for the year ended June 30, 2003 is as follows:

Assets:	
Furniture and fixtures	\$ 745
Food and supplies	<u>4,185</u>
Total donated furniture and supplies	\$ 4,930

NOTE 10- ADVERTISING COSTS

Safe Harbor, Inc. expenses the costs of advertising as they are incurred. During fiscal year ended June 30, 2003, Safe Harbor, Inc. paid \$254 in advertising costs for the advertisement of employment positions as they became available in order to maintain its staffing requirements to fulfill its various grant contract requirements and program objectives in connection with the public it serves. There were no other advertising costs expensed during the year.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Required by Statement of Accounting Standards (SFAS) No. 107, *Disclosure about Fair Value of Financial Instruments*, disclosure of fair value information about certain financial instruments is required, whether or not recognized in the statement of financial position for which it is practicable to estimate that value. The following methods and assumptions were used in estimating fair value:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Cash and cash equivalents	\$26,647	\$26,647

Cash and cash equivalents consists entirely of monies held in bank checking accounts. The carrying value of cash and cash equivalents ap-

proximates fair value because of the ease of convertibility of these financial instruments into cash at any given time as the need may arise.

NOTE 12 - RENT AND RENTAL COMMITMENTS

When Safe Harbor, Inc. began operating its twenty-one bed shelter facility, it entered into a operating lease contract with an option to renew each year. The original lease stipulated rent to be \$1,000 per month. In July, 1999, by mutual consent, rent was increased to \$1,500 per month and in September, 2001, rent was increased to \$2,000 per month and since that date the amount of rent per month has not changed. Accordingly, rent expense was \$24,000 for fiscal year ended June 30, 2003.

NOTE 13-PRIOR PERIOD ADJUSTMENT/CORRECTION OF AN ERROR

From September, 1999 until August 31, 2001 Safe Harbor, Inc. had been operating under the terms and conditions set forth in a Cooperative Endeavor Agreement entered into by Safe Harbor, Inc. and the Parish of St Tammany, administered by St. Tammany Parish Community Action Agency, a non-profit organization under the control of the Parish of St. Tammany. Under the terms of the agreement, St. Tammany Parish agreed to provide financial accounting and recordkeeping for Safe Harbor Battered Women's Shelter Program grants. The monthly process began with certain authorized expenses first being paid by St. Tammany Parish on behalf of Safe Harbor, Inc., then grantors were billed for those reimbursable expenses and when the grantors' checks in payment of their grant billings were received, the account was replenished for the next month's payment of authorized expenses.

A prior period adjustment was made for the correction of an error in recording an amount furnished by St. Tammany Parish for the Due from Office of Justice Programs Grant for fiscal year ended June 30, 2001 with regard to funds from the United States Department of Justice, Office of Justice Programs being administered locally by St. Tammany Parish.

The Cooperative Endeavor Agreement ended early in fiscal year ended June 30, 2002. By the time the June 30, 2002 fiscal year ended, the amount recorded as Due from Office of Justice Programs Grant for fiscal year ended June 30, 2001 was in dispute. Also in dispute, at that time,

was an amount due to St. Tammany Parish for alleged expenses St. Tammany Parish paid in behalf of Safe Harbor under the Cooperative Endeavor Agreement before the Agreement ended. Negotiations at that time led management of Safe Harbor to believe that there was a high probability of collection of the Due from Office of Justice Programs Grant for fiscal year ended June 30, 2001. Therefore the amount was carried over and included in the amount Due from Office of Justice Programs Grant for fiscal year ended June 30, 2002. Also, it was ascertained that there was a high probability that the alleged amount due to St. Tammany Parish for expenses it paid on behalf of Safe Harbor under the Cooperative Endeavor Agreement would be considered due and payable when the matter was finally settled. Therefore the amount was recorded as a contingent liability for fiscal year ended June 30, 2002. The general consensus, at the time, was that these matters would be settled as a result of a compromise. The amount due St. Tammany Parish would eventually be netted against the amount due Safe Harbor in connection with its Office of Justice Programs Grant and if there was any adjustment to make in the Due from Office of Justice Programs Grant account, that adjustment would be made in fiscal year ended June 30, 2003 as part of ordinary operations.

However, as of fiscal year ended June 30, 2003, after further considerable discussion and a great deal of research by both parties to settle these matters, it has become apparent that St. Tammany Parish made an error in computing the amount due Safe Harbor from the portion of the Office of Justice Programs grant for fiscal year ended June 30, 2001 and it is now clear that none of that amount accrued will be forthcoming. Also, the amount due St. Tammany Parish under the Cooperative Endeavor Agreement has not been completely settled but, currently, no ascertainable amount can be determined by the parties to be due at this time and, in addition, the matter has not been actively pursued by St. Tammany Parish for many months as the fiscal year ending June 30, 2003 came to a close. It is Safe Harbor's position, that after its representatives met with the St. Tammany Parish President, Kevin Davis, during fiscal year ended June 30, 2003, whatever amount due and owing to St. Tammany Parish, if any, would be forgiven. Therefore, as of June 30, 2003, with these facts in mind, management of Safe Harbor, Inc. has decided it was in error in accruing the contingent liability entitled Due to St. Tammany Parish for fiscal year ended June 30, 2002 and it would adjust the account down to zero and write it off as part of its prior period

adjustment in connection with events involving the time period in its history when Safe Harbor operated under a Cooperative Endeavor Agreement with the Parish of St. Tammany.

The prior period adjustment has been computed as follows:

Office of Justice Programs grant receivable	
due from St. Tammany Parish	\$43,937
Less amount Due to St. Tammany Parish	<u>- 26,465</u>
 Prior period adjustment amount	 \$17,472

There is no disclosure of a current tax effect with regard to this prior period adjustment in accordance with accounting principles generally accepted in the United States of America because Safe Harbor, Inc. is recognized by the Internal Revenue Service as a non-profit organization under Section 501(c)(3) and the adjustment is not related to unrelated business activities of the organization. Safe Harbor, Inc. did not engage in any unrelated business activities during fiscal years ended June 30, 2001 or June 30, 2002 and has not engaged in any unrelated business activities during this fiscal year, year ended June 30, 2003. Therefore, there is no current tax effect to disclose.

NOTE 14 - SUBSEQUENT EVENTS

A Building Fund was started near fiscal year ended June 30, 2003 for the future purchase and/or construction of a new shelter facility for Safe Harbor's Battered Women's Program. Also It has been ascertained that the current shelter facility is in need of considerable repairs. Rather than repair the facility, when Safe Harbor's lease was up for renewal after fiscal year ended June 30, 2003, the Board of Directors decided it was time to locate a new shelter facility to occupy until such time as the building fund has grown enough to buy its own building or purchase land to build a facility of its own rather than keep paying rent indefinitely.

Also, the outreach office in the western part of St. Tammany Parish was relocated at or shortly after fiscal year ended June 30, 2003. In an endeavor to keep the location of the battered women's shelter secret from the general public, donations, both cash and non-cash, can now be dropped off at the Safe Harbor Outreach Office on the second floor of a

building with a physical address of 225 North Vermont, Covington, Louisiana. For the convenience of the public, some of which desire to remain anonymous, the office can be accessed from the front entrance of the building to the second floor by means of a staircase located in the lobby or from the outside of the building by means of an staircase leading up to the second floor. Both entrance doors to the Safe Harbor Outreach Office are clearly marked. Since operations began at the new location, for all practical purposes, the general public prefers both entrances and both lead into a waiting area that is within plain view of the staff on hand.

SUPPLEMENTARY INFORMATION RELATED TO FEDERAL AWARDS
Required by *Government Auditing Standards* and OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations

DELPHINE A. CUPPAY
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Safe Harbor, Inc.
Slidell, LA 70458

I have audited the financial statements of Safe Harbor, Inc., (a nonprofit organization), as of and for the year ended June 30, 2003, and have issued my report thereon dated December 19, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Safe Harbor, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Safe Harbor, Inc.'s internal control over financial reporting in order to determine my auditing

procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Delphine A. Cuppay, CPA

Delphine A. Cuppay, CPA
Slidell, Louisiana

December 19, 2003

DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
60233 Donya Street
Slidell, LA 70460
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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Safe Harbor, Inc.
Slidell, LA 70458

Compliance

I have audited the compliance of Safe Harbor, Inc., (a nonprofit organization), with the types of compliance requirements described in the "U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2003. Safe Harbor, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Safe Harbor, Inc.'s management. My responsibility is to express an opinion on Safe Harbor, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Safe Harbor, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my

opinion. My audit does not provide a legal determination of Safe Harbor, Inc.'s compliance with those requirements.

In my opinion, Safe Harbor, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Safe Harbor, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Safe Harbor, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Delphine A. Cuppay, CPA

Delphine A. Cuppay, CPA
Slidell, Louisiana
December 19, 2003

SAFE HARBOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. Department of Health and Human Services: Federal Family Violence Prevention and Services Act: Pass-through grantor - State of Louisiana, Office of Women's Policy	93.671	CFMS 576492 Family Violence FY 2001-2003	\$ 63,586
U. S. Department of Health and Human Services: Children's Services in Domestic Violence Programs Pass-through grantor - State of Louisiana, Office of Women's Policy/Louisiana Coalition Against Domestic Violence	93.671	2002-03-TANF- CS011	\$ 35,499
U. S. Department of Health and Human Services: Child Abuse Prevention and Treatment Act Pass-through grantor - State of Louisiana, Dept. of Social Services, Office of Community Services (Children's Trust Fund)	93.590	CFMS 585393	\$ <u>3,000</u>
Total U. S. Dept. of Health and Human Services			\$102,085
U. S. Department of Housing and Urban Development: Emergency Shelter Grants Program: Pass-through grantor - State of Louisiana, Department of Social Services, Office of Community Services administered by St. Tammany Parish Community Action Agency	14.231	CFMS 538055	\$ <u>12,000</u>
Total U. S. Dept. of Housing and Urban Development			\$ 12,000

**Note: Schedule of Expenditures of Federal Awards is continued on the next page.
See accompanying notes to schedule of expenditures of federal awards.**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. Department of Justice Office of Justice Programs Grant which grant was designated for the project, "A Safer St. Tammany - Against Domestic Violence": Pass-through grantor - The Parish of St. Tammany, and administered by The St. Tammany Parish Police Jury Domestic Violence Coordinating Counsel	16.590	Grant Award No. 1997-WE-VX- 0059	\$ 29,637
U. S. Department of Justice Office of Justice Programs Grant which grant was designated for the project, "Domestic Violence Outreach" in connection with Stop Violence Against Women Formula Grant Program: Pass-through grantor - State of Louisiana, Office of the Governor and administered by Louisiana Commission on Law Enforcement and Administration of Criminal Justice	16.588	Subgrant No. or Project ID# M00-8-011 & M01-8-009	<u>19,084</u>
Total U. S. Department of Justice			<u>\$ 48,721</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$162,806

See accompanying notes to schedule of expenditures of federal awards.

SAFE HARBOR, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Safe Harbor, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In accordance with Section 230(b)2 of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," as a non-Federal entity, Safe Harbor, Inc. has not charged its audit costs to any of the Federal awards received. All audit costs were charged to its State of Louisiana, Office of Women's Policy contract, specifically to that portion of the grant contract funded by State funds and/or St. Tammany Parish Marriage License funds.

**NOTE B: U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES,
FEDERAL FAMILY VIOLENCE PREVENTION AND SERVICES ACT
GRANT ADMINISTERED BY OFFICE OF WOMEN'S POLICY**

In accordance with terms of the grant, the organization has expended matching contributions totaling 20% of federal dollars earmarked for this grant amounting to \$12,717 during the year ended June 30, 2003.

**NOTE C: U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOP-
MENT, EMERGENCY SHELTER GRANTS PROGRAM ADMINISTERED
ST. TAMMANY PARISH COMMUNITY ACTION AGENCY**

In accordance with terms of the grant, the organization has expended matching contributions totaling \$12,000 during the year ended June 30, 2003.

SAFE HARBOR, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of Safe Harbor, Inc.
2. During the audit of the financial statements of Safe Harbor, Inc., there were no reportable conditions disclosed in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Safe Harbor, Inc. were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for Safe Harbor, Inc. expresses an unqualified opinion on all major federal programs.
5. The audit disclosed no findings required to be reported by OMB Circular A-133.
6. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U. S. Department of Health & Human Services, Federal Family Violence Prevention and Services Act	93.671
U. S. Department of Health & Human Services, Children's Services in Domestic Violence Programs	93.671
U. S. Department of Justice, Office of Justice Programs Grant, designated as project "A Safer St. Tammany - Against Domestic Violence"	16.590

Name of Federal Program or Cluster

CFDA Number

U. S. Department of Justice, Office of Justice
Programs Grant, designated as project "Domestic
Violence Outreach" in connection with Stop
Violence Against Women Formula Grant Program 16.588

7. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133. No programs met the threshold, however contracts with the State of Louisiana require the audit be performed in accordance with OMB Circular A-133 procedures as Safe Harbor, Inc. is a subrecipient of the State of Louisiana's major programs receiving federal awards.

FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters are reportable.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

No matters are reportable.

**SAFE HARBOR, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

SECTION I - FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings have been reported.

**SECTION II - FINDINGS AND QUESTIONED COSTS - MAJOR
FEDERAL AWARD PROGRAMS AUDIT**

No findings have been reported.